



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
PERRY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[WWW.KYAUDITOR.NET](http://WWW.KYAUDITOR.NET)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELE. (502) 564-5841  
FAX (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Perry County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$127,305 from the prior fiscal year, resulting in a cash surplus of \$861,887 as of June 30, 2000. Revenues decreased by \$52,172 from the prior year and disbursements increased by \$216,209.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2000, was \$7,560,000. Future collections of \$9,167,559 are needed to pay all bonded debt principal and interest.

#### **Report Comments:**

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger
- The County's Payroll Procedures Should Be Improved
- The Quarterly Financial Status Report Should Include All Funds
- The County Treasurer's Annual Settlement Should Have Been Presented to the Fiscal Court
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The County Treasurer Should Have Been Covered By Two Sureties on Her Official Bond
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$84,406 And Should Have Entered Into A Written Agreement To Protect Deposits

#### **Deposits:**

The fiscal court's deposits were not properly secured and the court did not have a written security agreement.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Perry County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Perry County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 2000, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky

Honorable Paul Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2001, on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger
- The County's Payroll Procedures Should Be Improved
- The Quarterly Financial Status Report Should Include All Funds
- The County Treasurer's Annual Settlement Should Have Been Presented to the Fiscal Court
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The County Treasurer Should Have Been Covered By Two Sureties on Her Official Bond
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$84,406 And Should Have Entered Into A Written Agreement To Protect Deposits

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Perry County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
September 10, 2001



PERRY COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Adam J. Hamblin	Magistrate
Gary W. Baker	Magistrate
Johnny Blair	Magistrate

**Other Elected Officials:**

Lanny Combs	County Attorney
McClee Feltner	Jailer
Haven King	County Clerk
Roger D. Collins	Circuit Court Clerk
John L. Burgett	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

**Appointed Personnel:**

Janet Noble	County Treasurer
Velma Kay Spicer	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

Assets and Other Resources

Assets

General Fund Type

General Fund:			
Cash	\$	208,293	
Road and Bridge Fund:			
Cash		166,405	
Jail Fund:			
Cash		17,289	
Local Government Economic Assistance Fund:			
Cash		169,800	
Retirement Account - Cash		<u>3</u>	\$ 561,790

Special Revenue Fund Type

E-911 Fund:			
Cash	\$	50,631	
Forestry Fund:			
Cash		6,247	
Community Development Block Grant Buckhorn Water Project Fund:			
Cash		4,606	
Local Government Economic Development Fund:			
Notes Receivable (Note 4A)		700,000	
Notes Receivable (Note 4B)		700,000	
Area Development Fund:			
Cash		6	
FEMA Fund:			
Cash		<u>1,531</u>	\$ 1,463,021

Debt Service Fund Type

Public Properties Corporation Fund:			
Cash	\$	139,072	
Notes Receivable (Note 4C)		3,589,893	
KREDA Fund:			
Cash		<u>82,004</u>	\$ 3,810,969

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Capital Projects Fund Type

Jail Construction Fund:

Cash	\$	6,050,000
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Total Assets	\$	11,885,780
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Other Resources

General Fund Type

Amounts to be Provided in Future Years for Kentucky Association  
of Counties Capital Lease Obligations:

Lease Principal Payments-Voting Machines (Note 7A)	\$	98,000	
Lease Principal Payments-Ambulance (Note 7B)		<u>43,000</u>	141,000

Debt Service Fund Type

Public Properties Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments (Note 6)	1,510,000
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KREDA Fund:

Amounts to be Provided in Future Years for Kentucky Area

Development District Financing Trust:

Lease Principal Payments (Note 7C)	1,810,000
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Capital Projects Fund Type

Jail Construction Fund:

Amounts to be Provided in Future Years for Note Payments (Note 5)	<u>800,000</u>
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Total Assets and Other Resources	<u>\$</u>	<u>16,146,780</u>
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The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Obligations-Principal Payments:

Voting Machines (Note 7A) \$ 98,000

Ambulance (Note 7B) 43,000

Kentucky Area Development District Financing Trust (Note 7C) 1,810,000

Retirement Account - Cash 3 \$ 1,951,003

Special Revenue Fund Types

Local Government Economic Development Fund:

Deferred Revenue (Note 4A) \$ 700,000

Deferred Revenue (Note 4B) 700,000 1,400,000

Public Properties Corporation Fund:

Bonds Not Matured (Note 6) \$ 1,510,000

Deferred Revenue (Note 4C) 3,589,893 5,099,893

Capital Projects Fund Types

Jail Construction Fund:

Note Payable (Note 5) \$ 800,000

Note Payable (Note 6 B 1) 2,000,000

Note Payable (Note 6 B 2) 2,000,000

Note Payable (Note 6 B 3) 2,050,000 \$ 6,850,000

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Fund Balances

Reserved:

Special Revenue Fund Type

E-911 Fund	\$	50,631	
Forestry Fund		6,247	
Community Development Block Grant Buckhorn Water Project Fund		4,606	
Area Development Fund		6	
FEMA Fund		<u>1,531</u>	63,021

Debt Service Fund Type

Public Properties Corporation Fund	\$	139,072	
KREDA Fund		<u>82,004</u>	\$ 221,076

Unreserved:

General Fund Type

General Fund	\$	208,293	
Road and Bridge Fund		166,405	
Jail Fund		17,289	
Local Government Economic Assistance Fund		<u>169,800</u>	\$ 561,787

Total Liabilities and Fund Balances			<u><u>\$ 16,146,780</u></u>
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The accompanying notes are an integral part of the financial statements



STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 5,332,529	\$ 2,046,560	\$ 1,332,653	\$ 172,699
Other Financing Sources:				
Bond Proceeds	6,850,000			
Transfers In	1,306,577	203,475	165,000	420,431
Deferred Revenue Recognized	200,000			
Total Cash Receipts	<u>\$ 13,689,106</u>	<u>\$ 2,250,035</u>	<u>\$ 1,497,653</u>	<u>\$ 593,130</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,788,556	\$ 1,755,430	\$ 1,194,396	\$ 627,675
Other Financing Uses:				
Bonds:				
Principal Paid	330,000			
Interest Paid	102,671			
Transfers Out	1,306,577	495,000	268,475	
Jail Construction Fund Expenditures	800,000			
Notes Receivable Forgiven	200,000			
Total Cash Disbursements	<u>\$ 7,527,804</u>	<u>\$ 2,250,430</u>	<u>\$ 1,462,871</u>	<u>\$ 627,675</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 6,161,302	\$ (395)	\$ 34,782	\$ (34,545)
Cash Balance - July 1, 1999	734,582	208,688	131,623	51,834
Cash Balance - June 30, 2000	<u>\$ 6,895,884</u>	<u>\$ 208,293</u>	<u>\$ 166,405</u>	<u>\$ 17,289</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2000  
(Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	E-911 Fund	Forestry Fund	Community Development Block Grant Buckhorn Water Project Fund	Area Development Fund	FEMA Fund
\$ 1,234,571	\$ 285,992	\$ 7,477	\$	\$ 27,946	\$
65,000	20,000				
<u>\$ 1,299,571</u>	<u>\$ 305,992</u>	<u>\$ 7,477</u>	<u>\$</u>	<u>\$ 27,946</u>	<u>\$</u>
\$ 713,293	\$ 291,916	\$ 3,524	\$	\$ 27,946	\$
543,102					
<u>\$ 1,256,395</u>	<u>\$ 291,916</u>	<u>\$ 3,524</u>	<u>\$</u>	<u>\$ 27,946</u>	<u>\$</u>
\$ 43,176	\$ 14,076	\$ 3,953	\$	\$	\$
126,624	36,555	2,294	4,606	6	1,531
<u>\$ 169,800</u>	<u>\$ 50,631</u>	<u>\$ 6,247</u>	<u>\$ 4,606</u>	<u>\$ 6</u>	<u>\$ 1,531</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2000  
(Continued)

<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Capital Project Fund Type</u>	
<u>Local Government Economic Development Fund</u>	<u>Public Properties Corporation Fund</u>	<u>KREDA Fund</u>	<u>Jail Construction Fund</u>
\$	\$ 19,830	\$ 204,801	\$
			6,850,000
	432,671		
200,000			
200,000	\$ 452,501	\$ 204,801	\$ 6,850,000
	\$ 12,923	\$ 161,453	\$
	330,000		
	102,671		
			800,000
200,000			
\$ 200,000	\$ 445,594	\$ 161,453	\$ 800,000
	\$ 6,907	\$ 43,348	
	132,165	38,656	
\$	\$ 139,072	\$ 82,004	\$ 6,050,000

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Perry County Public Properties Corporation as part of the reporting entity.

The Public Properties Corporation (the Corporation) is a legally separate entity established to provide long term debt service for the Fiscal Court. The Corporation's governing body consists entirely of Fiscal Court members. Therefore, management must include the Corporation as a component unit, and the Corporation's financial activity will be blended with that of the Fiscal Court.

Additional - Perry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Perry County Fiscal Court's Fund Types, a definition of each and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Perry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA).

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E-911 Fund, Forestry Fund, Community Development Block Grant Buckhorn Water Project Fund, Local Government Economic Development Fund, Area Development Fund and FEMA Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund and KREDA Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Capital Projects Fund Type

Capital Project Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Perry County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 17.55 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, \$39,072 of the bank balances at Fifth Third Bank were not fully insured or collateralized with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds. Also, as of August 31, 1999, the FDIC insurance at Fifth Third Bank did not equal or exceed the amount on deposit, leaving \$84,407 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2000.

	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Collateralized with securities held by pledging depository institution in the county's name	100,000
Uncollateralized and uninsured	<u>39,072</u>
Total	<u><u>\$ 239,072</u></u>

Note 4. Receivables

A) Economic Development Bond Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement. As of June 30, 2000, the principal balance due was \$700,000.



PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Note 4. Receivables (Continued)

B) Multi-County Economic Development Bond Grant Receivable

The county loaned an additional \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement. As of June 30, 2000, the principal balance due was \$700,000.

C) Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994, for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight-percent interest rate. Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2000, the principal balance due was \$3,589,893.

Note 5. Lease

During the fiscal year ended June 30, 2000, the Fiscal Court entered into a lease agreement with the Bank of Kentucky in the amount of \$800,000. The purpose of the agreement was the acquisition and construction of the Perry County Detention Center in anticipation of a bond issue. This note was repaid on July 13, 2000.

<u>Fiscal Year Ending</u>	<u>Interest and Other Fees</u>	<u>Scheduled Principal</u>
June 30 2001	<u>\$ 30,668</u>	<u>\$ 800,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 6. Long-Term Debt

A) Public Project Refunding and Improvement Bond

On September 1, 1993, the Perry County Public Properties Corporation issued a public project refunding and improvement bond. Principal is payable annually on March 1 and interest is payable semiannually on March 1 and September 1. The following represents bond debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 84,851	\$ 345,000
June 30, 2002	65,531	365,000
June 30, 2003	45,000	390,000
June 30, 2004	<u>23,063</u>	<u>410,000</u>
Totals	<u>\$ 218,445</u>	<u>\$ 1,510,000</u>

B) Perry County Detention Center Notes

- 1) On June 15, 2000, the Fiscal Court issued a \$2,000,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 A for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 114,111	
June 30, 2002	130,000	
June 30, 2003	<u>130,000</u>	<u>\$ 2,000,000</u>
Totals	<u>\$ 374,111</u>	<u>\$ 2,000,000</u>

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Note 6. Long-Term Debt (Continued)

B) Perry County Detention Center Notes (Continued)

- 2) On June 15, 2000, the Fiscal Court issued the \$2,000,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 B for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 114,111	
June 30, 2002	130,000	
June 30, 2003	130,000	
June 30, 2004	<u>130,000</u>	<u>\$ 2,000,000</u>
Totals	<u>\$ 504,111</u>	<u>\$ 2,000,000</u>

- 3) On June 15, 2000, the Fiscal Court issued the \$2,050,000 General Obligation Public Purpose Bond Anticipated Note Series 2000 C for the construction of the Perry County Detention Center. Principal is payable annually on November 1 and interest is payable on May 1 and November 1. The following represents the debt service requirements:

<u>Due Date</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2001	\$ 116,964	
June 30, 2002	133,250	
June 30, 2003	133,250	
June 30, 2004	133,250	
June 30, 2005	<u>133,250</u>	<u>\$ 2,050,000</u>
Totals	<u>\$ 649,964</u>	<u>\$ 2,050,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 7. Lease-Purchase Agreements

- A) The county entered into a capital lease agreement with the Kentucky Association of Counties for the purchase of voting machines on December 22, 1994. Terms of the agreement stipulate ten-year repayment schedule with variable monthly interest payments and variable annual principal payments. The following represents bond debt service requirements:

Fiscal Year Ending	Interest and Other Fees	Scheduled Principal
June 30 2001	\$ 6,221	\$ 22,000
June 30 2002	4,622	24,000
June 30 2003	2,912	25,000
June 30 2004	1,103	27,000
Totals	<u>\$ 14,858</u>	<u>\$ 98,000</u>

- B) The county entered into a capital lease agreement with Kentucky Association of Counties for the purchase of ambulances on January 13, 1997. Terms of the agreement stipulate a five-year repayment schedule with variable monthly interest payments and variable annual principal payments. The following represents bond debt service requirements:

Fiscal Year Ending	Interest and Other Fees	Scheduled Principal
June 30 2001	\$ 1,995	\$ 21,000
June 30 2002	747	22,000
Totals	<u>\$ 2,742</u>	<u>\$ 43,000</u>

- C) On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. The following represents lease debt service requirements:

Fiscal Year Ending	Interest and Other Fees	Scheduled Principal
June 30 2001	\$ 98,663	\$ 65,000
June 30 2002	95,640	65,000
June 30 2003	92,618	70,000
June 30 2004	89,363	70,000
Amount Thereafter	733,188	1,540,000
Total	<u>\$ 1,109,472</u>	<u>\$ 1,810,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2000  
(Continued)

Note 8. Commitments and Contingencies

Several cases are pending in state and federal courts against Perry County. No accrual is made for any of these cases, however, because the outcome or financial impact of these cases cannot reasonably be determined.

Note 9. Landfill Closure and Post-Closure Costs

401 KAR 48:310, Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure while carefully monitoring maintenance in accordance with the closure plan. The Perry County Landfill closure plan currently calls for six phases.

Perry County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. Estimated closure costs totaled \$3,000,000, and estimated post closure care costs totaled \$8,423 per year for 30 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Since the financial statements are prepared on a modified cash basis of accounting and in accordance with the laws of Kentucky, no liability has been recognized for closure or post closure costs.

The fiscal court is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The fiscal court currently has made no payments or provisions for this.

Note 10. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Perry County Jail Canteen Fund had income of \$645, less cost of goods sold of \$718, plus a beginning balance of \$372, leaving net income at \$299 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,674,070	\$ 2,046,560	\$ (627,510)
Road and Bridge Fund	1,320,989	1,332,653	11,664
Jail Fund	705,286	172,699	(532,587)
Local Government Economic Assistance Fund	1,168,666	1,234,571	65,905
<u>Special Revenue Fund Type</u>			
E-911 Fund	312,556	285,992	(26,564)
Forestry Fund	6,000	7,477	1,477
Community Development Block Grant			
Buckhorn Water Project Fund			
Area Development Fund	27,946	27,946	
FEMA Fund			
<u>Debt Service Fund Type</u>			
Local Government Economic Development			
Multi-County Fund	350,000		(350,000)
Public Properties Corporation Fund		19,830	19,830
KREDA Fund	161,460	204,801	43,341
Totals	<u>\$ 6,726,973</u>	<u>\$ 5,332,529</u>	<u>\$ (1,394,444)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,726,973
Add: Budgeted Prior Year Surplus			<u>130,000</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,856,973</u>

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SCHEDULE OF OPERATING REVENUE



PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
REVENUE:				
Taxes	\$ 1,478,802	\$ 1,185,683	\$ 293,119	\$
In Lieu Tax Payments	287	287		
Excess Fees	164,928	164,928		
License and Permits	238,737	238,737		
Intergovernmental Revenues	2,622,989	2,582,845	27,946	12,198
Charges for Services	248,869	248,869		
Miscellaneous Revenues	544,514	342,187	244	202,083
Interest Earned	33,403	26,028	105	7,270
Total Operating Revenue	<u>\$ 5,332,529</u>	<u>\$ 4,789,564</u>	<u>\$ 321,414</u>	<u>\$ 221,551</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,200,566	\$ 812,322	\$ 388,244
Protection to Persons and Property	735,403	692,345	43,058
General Health and Sanitation	185,818	150,628	35,190
Social Services	74,773	63,871	10,902
Recreation and Culture	863,515	131,386	732,129
Roads	1,262,181	1,195,988	66,193
Other Transportation Facilities and Services	30,559	30,376	183
Debt Service	224,962	237,910	(12,948)
Capital Projects	205,131	200,625	4,506
Administration	1,318,015	949,726	368,289
Total Operating Budget - All General Fund Types	\$ 6,100,923	\$ 4,465,177	\$ 1,635,746
Other Financing Uses:			
Transfers to Public Property Corporation Fund	432,671	432,671	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 6,533,594</u>	<u>\$ 4,897,848</u>	<u>\$ 1,635,746</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 270,374	\$ 270,374	
Capital Projects	27,946	27,946	
Administration	25,059	25,059	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 323,379</u>	<u>\$ 323,379</u>	<u>\$</u>

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SCHEDULE OF JAIL CONSTRUCTION EXPENDITURES



PERRY COUNTY  
SCHEDULE OF JAIL CONSTRUCTION EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2000

Land Acquisition	\$	550,000
Capitalized Preconstruction costs		5,600
Capitalized Engineering Fees		<u>244,400</u>
Totals	\$	<u><u>800,000</u></u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Perry County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated September 10, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Quarterly Financial Status Report Should Include All Funds
- The County Treasurer's Annual Settlement Should Have Been Presented To The Fiscal Court
- The Jailer Should Maintain Financial Records for the Jail Canteen Account
- The County Treasurer Should Have Been Covered By Two Sureties On Her Official Bond
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$84,406 And Entered Into A Written Agreement To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Perry County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

- Internal Control Procedures Over Purchases Should Be Improved
- The Fiscal Court Should Annually Review The Administrative Code
- The County Should Have An Inventory Control Ledger
- The County's Payroll Procedures Should Be Improved

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 10, 2001

## COMMENTS AND RECOMMENDATIONS



PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2000

REPORTABLE CONDITIONS

1. Internal Control Procedures Over Purchases Should Be Improved

Internal controls over purchases are significantly deficient and cannot be relied upon. We noted the following deficiency related to the county's purchasing procedures:

- There were no written procedures relating to purchases.

We recommend the fiscal court obtain written procedures over purchases.

*County Judge/Executive's Response:*

*This will be corrected.*

2. The Fiscal Court Should Annually Review The Administrative Code

The fiscal court adopted an administrative code on December 19, 1978 as required by KRS 68.005. However, we found no indication in the fiscal court order book that the administrative code has been reviewed annually. In addition, the administrative code did not contain the minimum standards as required by KRS 68.005. The county's administrative code did not address the following requirements:

- County purchasing and award of contracts;
- Delivery of county services.

KRS 68.005 also states the fiscal court shall review the county administrative code annually during the month of June and may by a two-thirds majority of the entire fiscal court amend the county administrative code on an annual basis.

We recommend that the county review the administrative code annually as required by KRS 68.005. Furthermore, we recommend that the review of the administrative code be documented in the fiscal court order book. As evidence of the fiscal court approval, we recommend that a complete copy of the administrative code be recorded in the fiscal court order book.

*County Judge/Executive's Response:*

*DLG was supposed to review it and help write one.*

3. The County Should Have An Inventory Control Ledger

The county has failed to maintain an inventory control ledger of fixed assets. As a result, there is no record of inventory on a current basis. The absence of an accurate inventory control system could also result in financial loss and potential liability to the county. We recommend an adequate inventory system be initiated and maintained by the county.

*County Judge/Executive's Response:*

*This will be corrected.*

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2000

4. The County's Payroll Procedures Should Be Improved

During testing of payroll, we found that all county employees did not maintain timecards. Review of the timecards that were maintained by county employees, revealed they were not always signed by employees and/or their supervisor. KRS 337.320 requires every employer to keep a record of the hours worked each day and each week by each employee. We recommend compliance with this KRS in the future by requiring all county employees to maintain timecards for hours worked. We further recommend that in an effort to strengthen internal controls over payroll, that all timecards be signed by both the employee and supervisor, all changes made to the timecard be initialed by the employee and supervisor, and that time reported on the timecards agree with hours for which the employee is paid.

*County Judge/Executive's Response:*

*This has been corrected.*

NONCOMPLIANCES

1. The Quarterly Financial Status Report Should Include All Funds

The quarterly financial status report did not include information about the Community Development Block Grant Buckhorn Water Project Fund and Public Properties Corporation Fund. This resulted in an incomplete reflection of the fiscal court's financial condition as of June 30, 2000. We recommend all county funds be included in the quarterly financial status reports in the future.

*County Judge Executive's Response:*

*This has been corrected.*

2. The County Treasurer's Annual Settlement Should Have Been Presented to the Fiscal Court

The County Treasurer's annual settlement was not presented to the fiscal court for approval within thirty days as required. KRS 68.020 requires the county treasurer to make a full and complete settlement within thirty days after the close of the fiscal year. We recommend compliance with this statute in the future by presenting their annual settlement to the fiscal court for approval within thirty days.

*County Judge/Executive's Response:*

*This will be corrected.*

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2000

3. The Jailer Should Maintain Financial Records For The Jail Canteen Account

During the audit, we found the jailer does not maintain a receipts and disbursements ledger and daily checkout sheets for the jail canteen account. KRS 441.135 states the Jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account. We recommend the jailer comply with KRS 441.135 by maintaining a receipts and disbursements ledger and daily checkout sheets for the jail canteen account.

*County Judge/Executive's Response:*

*This should be corrected with the new jail.*

4. The County Treasurer Should Have Been Covered By Two Sureties on Her Official Bond

The County Treasurer was only covered by one surety on her official bond. KRS 68.010 requires the County Treasurer to execute bond with at least two good sureties, to be approved by the fiscal court. We recommend compliance with KRS 68.010.

*County Judge/Executive's Response:*

*This has been corrected.*

5. The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$84,406 And Should Have Entered Into A Written Agreement To Protect Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of June 30, 2000, \$39,072 of the bank balances at Fifth Third Bank were not fully insured or collateralized with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bonds which named the county as beneficiary/obligee on the bonds. Also, as of August 31, 1999, the FDIC insurance at Fifth Third Bank did not equal or exceed the amount on deposit, leaving \$84,407 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

*County Judge/Executive's Response:*

*This will be corrected.*

PERRY COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2000

PRIOR YEAR FINDINGS

- The Quarterly Financial Status Report Should Include All Funds
- The Former County Treasurer's Annual Settlement Should Have Been Presented To The Fiscal Court In A Timely Manner
- The Former County Treasurer Did Not Keep A Separate Set of Financial Records Or Reports
- The Former County Treasurer Should Have Been Covered By Two Sureties On His Official Bond
- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- Fiscal Court Should Adopt A Written Investment Policy
- Financial Disclosure Statements Should Be Properly Prepared and Filed By All County Officials As Stipulated By The County Code of Ethics
- The County Should Maintain A Schedule Of Federal Financial Assistance
- The County Should Have Required Depository Institutions To Pledge Or Provide Sufficient Collateral Of \$485,092 and Entered Into A Written Agreement To Protect Deposits
- The Jailer Should Maintain Financial Records For The Jail Canteen Account
- The Fiscal Court Should Require Bids For All Expenditures Over \$10,000
- The Former County Judge/Executive Should Have Limited Expenditures To 65% of Budget
- All Disaster and Emergency Services Expenditures Are Considered Questioned Costs



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS

PERRY COUNTY FISCAL COURT

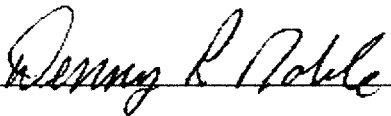
Fiscal Year Ended June 30, 2000




CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS  
PERRY COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes

  
\_\_\_\_\_

County Judge/Executive

  
\_\_\_\_\_

County Treasurer